Electricity trading

1948. SHRI B.K. HARIPRASAD: Will the Minister of POWER be pleased to state:

(a) whether, according to latest Economic Survey, traders of electricity sold 2152 crore units in 2008-09 at an average price of Rs. 7.29 per unit compared to the selling price of Rs. 3.14 in 2006-07;

(b) whether the payments for traded power aggregated about Rs. 30,000 crores in 2008-09 and assuming an average generation cost of Rs. 2.15 per unit, the profiteering in power trading exceeded Rs. 20,000 crores in 2008-09;

(c) whether the Electricity Act, 2003 provides the legal framework for competition and open and free access to consumer to buy direct from the producer; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI): (a) As per the Economic Survey, 2008-09, volume of electricity sold by the electricity traders during 2008-09 was 21,916.9 Million Units (MUs) at weighted average price of Rs.7.29/per unit and the volume of electricity sold by the electricity traders during 2006-07 was 15,022.7 MUs at weighted average price of Rs.4.51/per unit. Copy of relevant pages of Economic Survey 2008-09 enclosed as Statement (*See* below).

(b) Trading has been defined in the Electricity Act, 2003 as purchase of electricity for resale thereof. Income of power trader is the difference between the price at which trader sells the power and the price at which he has purchased power. According to the regulations of Central Electricity Regulatory Commission (CERC) this difference (known as trading margin) for inter-State transactions cannot be more than 4 paise per unit. Thus, the income of trader is not related to the cost of generation.

(c) and (d) Yes, Sir. The Electricity Act, 2003 provides for open access in transmission and in distribution. Open access in transmission has been allowed from the very beginning, enabling the generating companies and licensees the right to use the transmission system of a transmission licensee subject to availability of transmission facility. In distribution, open access is allowed in phases by the State Electricity Regulatory Commissions (SERCs) after taking into consideration the cross subsidy and other operational constraints. The Act, however, mandates that open access has to be allowed to consumers having load of 1 MW and above, by January, 2009. The tariff for direct purchase by consumers is not regulated.

Statement

TRANSMISSION, TRADING, ACCESS AND EXCHANGE

National Grid

9.20 An integrated power transmission grid helps to even out supply-demand mismatches. The existing Inter-regional transmission capacity of about 20,750 MW connects northern, western, eastern and north-eastern regions in a synchronous mode operating at the same frequency and

the southern region asynchronously. This has enabled interregional energy exchanges of about 46,000 Million units (2008-09), thus contributing to greater utilization of generation capacity and an improved power supply position. Proposals are underway to have synchronous integration of southern region with the rest.

Trading of electricity

9.21 Power trading helps in resource optimization by facilitating the disposal of surplus power with distribution utilities and in meeting the short-term peak demand. The Central and State Electricity Regulatory Commissions have powers to grant inter-State and intra-State trading licences, respectively. CERC has so far granted 43 inter-State trading licences, of which 41 are in existence as on 31.03.2009. Traders are categorized on the basis of volume of electricity to be traded and the net worth of the trader (Table 9.9 and Box 9.1).

Table 9.9 Electricity Trading

Period	Volume of electricity traded (MUs)	Weighted average purchase price (Rs./kwh)	Weighted average sale price (Rs./kwh)	Trading margin (Rs./kwh)
2005-06	14,188.8	3.14	3.29	0.09
2006-07	15,022.7	4.47	4.51	0.04
2007-08	20,964.8	4.48	4.52	0.04
2008-09	21,916.9	7.25	7.29	0.04

Box 9.1: Inter-State trading Regulation, 2009

The Central Electricity Regulatory Commission (CERC) issued new Inter-State trading Regulations in February, 2009. The aim was to tighten the terms and conditions for grant of trading licence keeping in view the current price of the trading power and the liquidity requirements of the power trading business and to encourage only the serious players. The important features of the new regulations include:

- Definition of inter-State trading has been revised to explicitly include electricity imported for resale.
- Number of categories of licensees has been reduced from 6 to 3.
- Net worth requirement has been increased to the range of Rs. 5 crore to Rs. 50 crore keeping the prevalent prices of traded power in view.
- Net worth definition has been revised to discount the loans and advances given to the associates.
- New conditions of liquidity *i.e.* current ratio and liquidity ratio have been introduced to adjudge the credit-worthiness of the applicant.
- Technical qualifications of the full time professionals have been specified.

- Definition of associate has been rationalized.
- A provision has been made that licensee shall not purchase electricity from the entities which are defaulting in payment of UI charges, transmission charges, charges of NLDC/RLDC/ULDC, if so directed by CERC. These regulations are also applicable to the existing licensees. They are required to comply with the new net worth requirement and liquidity requirement by March 31, 2010.

Operationalization of open access

9.22 Open access is an important framework seeking to promote competition. The regulations on open access in inter-State transmission together with the regulations on inter-State trading are issued by the Central Electricity Regulatory Commission (CERC). The responsibility for the introduction of open access at the distribution level rests with the State Electricity Regulatory Commissions (SERCs) (Box 9.2). Open access in inter-State transmission is fully operational. The open access transactions at inter-State transmission have increased from 778 in 2004-05 to 5,933 in 2006-07. The number was 9,560 in 2007-08 and 9,347 in 2008-09 (up to December, 2008). Status of applications received for open access in distribution is at table 9.10. The open access changes are widely different across States.

Box 9.2: Recommendations of the task force on open access (Extracts)

- Central and States' ERSs should be advised to comply with the statutory requirements relating to open access State Governments and State ERCs should enable operationalizing open access.
- SERCs should specify temporary connection charges to be charged by the Discom for standby supply.
- States ERCs should provide open access to all consumers of 1 MW and above within five years from the coming into effect of the amendment of the Act in January, 2004.
- The tariff for distribution companies should specify energy charges and wheeling charges separately.
- Transmission and trading should be segregated by all States.
- States should be advised to set up SLDCs as independent entities with financial and operational autonomy.
- SERCs should ensure enabling arrangements such as standby supplies at affordable prices, metering and settlement.
- IPPs, captive and small generators should be allowed to bring power to the market in grant of open access.
- Regulators should meet bulk consumers and stakeholders to address their concerns.

- The supplies from the unallocated Central quota of CPSUs should not be permitted to be sold by a recipient State and/or its utilities outside the recipient State at prices exceeding the regulated tariff and the permissible trading margin.
- 25 per cent of the Centre's discretionary allocation of 15 per cent of CPSU generating capacity may be made available for direct sale by CPSUs to open access consumers. For new capacity of CPSUs, 50 per cent of the unallocated quota may be reserved for sale to open access consumers.

Table 9.10: Status of applications received for open access in distribution (31.03.2009)

States	Received		Approved		Implemented	
	No.	MW	No.	MW	No.	MW
Andhra Pradesh	09	130.5	2	44	2	44
Chhattisgarh	14	332.8	6	66	5	53
Gujarat	15	871.4	15	871.4	15	871.4
Madhya Pradesh	29	59.6	29	59.6	29	59.6
Maharashtra	46	13170.5	41	13122.5	5	88
Rajasthan	30	271.1	12	165.3	12	165.3
Tamil Nadu	12	1764	0	0	0	0
Other States (*)	19	974.2	11	133.9	8	113
TOTAL:	174	17474.1	116	14462.7	76	1394.3

Source: Forum of Regulators

(*): Other States include Haryana, Himachal Pradesh, Jharkhand, Kerala, Orissa, Punjab, Uttar Pradesh and MW=Mega Watt

Power exchange

9.23 CERC has issued guidelines for setting up power exchange. It has also given approval to two (2) applications for setting up power exchange. The two power exchanges, *viz.* the Indian Energy Exchange Ltd. (IEX)., New Delhi and the power Exchange India Ltd. (PXIL), Mumbai have already started their operations from June 27, 2008 and October 22, 2008 respectively (Table 9.11).

Table 9.11: Volume and price of electricity transacted by Power exchanges

		Aug,08	Sept,08	Oct,08	Nov,08	Dec,08	Jan,09	Fab,09	Mar,09
1	2	3	4	5	6	7	8	9	10
Volume	IEX	239.81	278.54	375.19	450.65	354.10	291.70	180.80	377.17

1	2	3	4	5	6	7	8	9	10
(MUs)	PXIL			2.12	19.40	14.90	24.73	36.77	51.44
Price	IEX	7.61	7.95	8.32	7.47	6.64	6.16	6.85	8.33
(Rs./Unit)	PXIL			7.57	7.22	6.58	6.86	7.42	8.54

Guidelines for procurement of electricity

9.24 The Central Government has issued guidelines for procurement of power by Distribution Licensees through competitive bidding and Standard Bidding Documents for long term procurement of power from Case-2 projects having specified site and SBDs for long-term procurement from Case-1 projects, where the location, technology for fuel is not specified. The guidelines for procurement of power by Distribution Licensees through competitive bidding were amended before issuing SBDs for Case-1.

Power generation in Tamil Nadu

1949. SHRI S. ANBALAGAN: Will the Minister of POWER be pleased to state:

(a) the steps taken by Government for generation and supply of more power to Tamil Nadu during each of the last three years; and

(b) the amount allocated to the State for augmentation of power generation during the above period and the progress made in the works thereon, year-wise?

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI): (a) Electricity is a Concurrent subject. Supply and distribution of electricity in a State is the responsibility of concerned State Government/Power Utility. Central Government supplements the efforts of State Governments by establishing power plants in Central Sector through Public Sector Undertakings. Planning Commission had fixed a capacity addition target of 78,700 MW during the Eleventh Plan including 14,920 MW capacity in the Southern Region.

During the last three years, Unit-3 of Kaiga Atomic Power Station with capacity of 220 MW has been commissioned in the Southern Region and Tamil Nadu has 46 MW (20.9%) share in this Unit.

Out of the capacity programmed for commissioning in the Central Sector in the Southern Region during Eleventh Plan, provisional share of Tamil Nadu works out to about 2,343 MW.

(b) No funds are provided by the Government to State for augmentation of power generation. The States are required to take steps to meet enhanced demand for power through various measures and funds required, if any, are to be arranged by them.

Reduction in power allocation to Madhya Pradesh

†1950. SHRIMATI MAYA SINGH: Will the Minister of POWER be pleased to state:

†Original notice of the question was received in Hindi.